ECONOMIC MONOGRAPHS. No. XVII.

BI-METALLISM

A LECTURE DELIVERED AT HARVARD UNIVERSITY,
MAY 8, 1879

BY THE

HON. HUGH McCULLOCH

NEW YORK
PUBLISHED FOR THE
HONEST MONEY LEAGUE OF THE NORTHWEST
BY G. P. PUTNAM'S SONS
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BI-METALLIC MONEY.

HITHERTO I have spoken of coined gold and silver as constituting what might be called a joint standard or measure of value. It will be seen, however, as I proceed, that it is impossible, without the co-operation of foreign nations, for the United States to give to them for any considerable period, a proportionate value which would enable them to work harmoniously together. All efforts to accomplish this have been ineffectual. They have had a constant tendency to push each other out of circulation. Circumstances have been constantly occurring to make sometimes the one, and sometimes the other, more valuable abroad than at home,—and to cause the exportation of that which for the time possessed the greater commercial value. This variation in the comparative value of the two metals has, in times past, been mainly caused by the difference in the comparative production of the gold and silver mines. Silver as compared with gold was cheapened by the large yield of the silver mines of Mexico and South America. Gold was cheap-

ened as compared with silver, by the enormous production of the gold mines of California and Australia. The present depreciation of silver is attributable partly to increased production, but mainly to a combination of causes to which I shall allude further on. Let us look for a few moments at some of the efforts made by the government of the United States to give to these metals a comparative equality of value.

The first coinage act, passed by Congress in 1792, fixed the ratio which silver should bear to gold at fifteen of the former to one of the latter. In other words, fifteen ounces of pure silver were made equal to an ounce of pure gold, the Eagle to contain 247½ grains of pure, and 270 grains of standard gold.—The silver dollar to be of the same value as the Spanish dollar then in circulation, and to contain 371¼ grains of pure, and 416 grains of standard, silver—the standard being the weight of the coin after it had been alloyed.

The ratio of 15 to 1 corresponded at the time with the relative value of the two metals in those countries in which both were in use. It was soon discovered, however, that this ratio was not an equal one—that an ounce of gold was worth more—would purchase more—in those countries with which the United States had commercial intercourse, than fifteen ounces of silver. Hence, according to the invariable law, by the operation of which the inferior currency forces the superior out of circulation, gold was exported and silver remained at home.

Under this law, there was a steady outflow of gold, until it was interrupted by the act of 1834, which diminished the weight of Eagles from 247½ grains pure, and 270 grains standard, to 232 grains pure, and 258 standard.

This change proved to be too radical; silver then became comparatively more valuable than gold, and an article of export, as gold had been under the act of 1792. Having a greater purchasing power in other countries than at home, silver was exported, until it became so scarce, that very little was left for change. By the act of 1837, the silver dollar was reduced in standard weight from 416 grains to 412½. This reduction in the weight checked but did not stop the exportation of silver dollars, which continued until 1853, when the coinage of dollars was discontinued and a decided step taken towards a single standard. By the act of February 21st, 1853, while the dollar was not demonetized or reduced in weight, half dollars were reduced from 206¼ grains to 192, the smaller coins in the same proportion, and their legal tender quality was limited to five dollars. The silver dollar, the Dollar of the Fathers, as it is called, thus became obsolete. Gold became practically the single standard and silver a subsidiary currency. Previous to the passage of this act, the government had not been the purchaser of bullion. The business of the mint had been to receive such bullion, or foreign coin, whether gold or silver, as might be brought to it, and to convert the same into coin of the United States. After

the passage of this act, and in conformity with its pro visions, the government purchased all the silver used for coinage, limiting the amount to the requirements of domestic trade; and as there was no demand for this depreciated coin for exportation, it continued to perform the office of a subsidiary currency, until it was driven out of circulation by the Fractional Currency of the government.

By the act of February 12th, 1873, the legal tender character of all silver coins was limited to five dollars, and the silver dollar, like the fractions thereof, was practically demonetized, so that, had it not been for the United States notes, which were a legal tender for all debts, public or private, except for the payment of duties and the interest of the public debt, there would have been in the United States a single standard only, and that the gold standard.

By the act of February 28th, 1878, silver dollars, the coinage of which had been discontinued after the passage of the act of 1853, and which had been deprived of their legal tender quality for any sum over five dollars by the act of February 12th, 1873, were again made legal tender, at their nominal value (their real value at 412½ grains, being ten per cent. less than their nominal value) for all debts, public and private, except where there was a contract for the payment of gold. The same act made it the duty of the Secretary of the Treasury to purchase silver at the market price, not less than two million dollars'

worth, and not more than four million dollars' worth per month, and to cause the same to be coined monthly, as fast as purchased, into dollars. Up to the passage of this act, it had been the policy of Congress in their efforts to maintain a double standard, to make the ratio between gold and silver coins as nearly equal as was possible, according to the commercial value of the two metals. This policy was then reversed and a dollar, worth commercially but ninety cents, was made, so far as the law could make it so, the equivalent of a gold dollar.

Let me recapitulate. The first coinage act, as has been stated, made the ratio of silver to gold as 15 to 1, that being the ratio in Europe. We have seen that this did not prove to be an equalizing ratio; an ounce of gold proved to be worth more than fifteen ounces of silver in Europe, and the gold coins went where they were more valuable than at home.

In 1834, to prevent this outflow of gold and to equalize the comparative value of the two coins, the gold standard was degraded between six and seven per cent.; the standard weight of the Eagle being reduced from 270 grains to 258—no change being made in silver. This reduction in the value of the Eagle, increased comparatively the value of silver;—gold became the inferior currency, and staid at home, silver the superior currency, and went abroad. In 1837 the silver standard was again changed, and the weight of a silver dollar was reduced from 416 grains to 412½ but no change was made in gold.

In all the coinage acts up to 1853, the aim of Congress was to establish a standard for both metals similar to the European standard; to make the relative legal value of gold and silver coins correspond with the commercial value of the metals out of which they were coined. As this aim of Congress had not been accomplished, silver coin was practically demonetized by the act of February 21st, 1853, which made it a subsidiary currency, by the discontinuance of the coinage of dollars and the degradation of halves and the smaller coins. The act of 1873, of which so much complaint has been made, as an act by which the silver dollar was demonetized, was in fact but the confirmation of the act of 1853, which put a stop to the coinage of dollars and limited the legal tender quality of half dollars and the fractions thereof, to five dollars. From 1853 to 1873 silver dollars had ceased to be coined; those previously coined continued to be a legal tender, but there were so few of them in existence that the passage of the act, putting them on a level with the smaller coins, was a matter of no interest to the public. If any wrong was done to silver, it was done by the act of 1853. In the effort to maintain a double standard previously to the act of 1878, Congress had been careful, as has been stated, to make gold and silver coins correspond in their legal value with their commercial value. By this act a wide departure was made in the established policy of the government. The fact that silver was declining in market value, that at the very time when the bill was under con-

sideration, the silver to be contained in the dollar, which was to be restored to its former rank, could be purchased for ninety cents, was utterly ignored, and we have to-day, as silver has continued to decline, a silver dollar worth as bullion $84\frac{76}{100}$ cents but yet possessing, in theUnited States the legal value of the gold dollar. The bill which put no limitation, except the monthly coinage, upon the amount that might be coined, and made the ratio between silver and gold sixteen to one instead of $15\frac{1}{2}$ which was the ratio in France and other bi-metallic countries—was hastily passed under the influence of political pressure. Its passage over the veto of the President, without that consideration which courtesy requires to be given to his messages, was one of the strangest occurrences in the history of Federal legislation. So far the act has done little harm. The condition of the foreign exchanges—the discretion lodged in the hands of the Secretary,—the fact that the government coins only its own silver, have prevented the mischief which was apprehended, and may prevent serious mischief until the act is modified by such a limitation of the coinage as will, with the retirement of the small notes, raise silver to a parity with gold.

There ought not to be any doubt that this law will be amended before silver drives gold out of circulation and causes its exportation. The country can neither afford to lose its gold nor to have its metallic standard of value degraded. The careful consideration and definite settlement of this great question can not be long deferred with

safety. There should be no uncertainty as to what the standard is to be; a single or double standard,—a single standard of gold or of silver, or a double standard of gold and silver—with equal proportional value, as far as their value can be equalized. This is one of the important questions now before the country. It is a question which troubles other nations as well as our own. Upon its wise settlement great interests depend.

I have already spoken of the changes in the comparative legal value of gold and silver since the first coinage act was passed in 1792. Let us look at the value of silver as compared with that of gold, taking the price of silver in London and estimating the weight of a dollar at $412\frac{1}{2}$ grains, and going back no farther than 1857. Silver at the price of $58\frac{986}{1000}$ pence per ounce makes the silver dollar of $412\frac{1}{2}$ grains par with gold.

In 1857	The average price of silver in London was	$61\frac{3}{4}$	Pence per ounce, making the dollar worth..	104.69 cents.
1858,		$61\frac{5}{16}$		103.95 "
1859,		$62\frac{1}{16}$		105.22 "
1860,		$61\frac{11}{16}$		104.58 "
1861,		$60\frac{11}{16}$		103.10 "
1862,		$61\frac{7}{16}$		104.16 "
1863,		$61\frac{3}{8}$		104.06 "
1864,		$61\frac{3}{8}$		104.06 "
1865,		$61\frac{1}{16}$		103.52 "
1866,		$61\frac{1}{8}$		103.63 "
1867,		$60\frac{9}{16}$		102.67 "
1868,		$60\frac{1}{2}$		102.57 "
1869,		$60\frac{7}{16}$		102.47 "
1870,		$60\frac{9}{16}$		102.67 "
1871,		$60\frac{1}{2}$		102.59 "
1872,		$60\frac{5}{16}$		102.25 "
1873,		$59\frac{1}{4}$		100.46 "
1874,		$58\frac{3}{16}$		98.86 "
1875,		$56\frac{7}{8}$		96.43 "
1876,		$52\frac{3}{4}$		89.22 "
1877,		$54\frac{13}{16}$		92.93 "

1878, silver still further declined, but I am not prepared to give the exact average price.

It is thus seen that from 1857 to 1873 the silver dollar of $412\frac{1}{2}$ grains was worth more than the gold dollar; that for six years it exceeded it in value by over four per cent; and that from 1857 it was at no time worth less, until 1874. The decline then became rapid—the fall being from 100.46 in 1873 to 89.22 in 1876. In 1877 it advanced to 92.93 and fell off in 1878 to about 86 cents. At the present time, a silver dollar according to the U. S. standard weight is worth as has been stated $84\frac{76}{100}$ cents.

For seventeen years during the period referred to, silver was more valuable than gold, for five years less val-

uable. Its present depreciation is so great as to create anxiety not only in those countries in which it is the sole standard, or the standard jointly with gold, but in the two countries in which it has been absolutely demonetized. The serious financial question, one of the most serious that has ever been forced upon the consideration of the nations, is, how shall this decline be arrested so that silver shall not cease to be money? It is very obvious that there is not gold enough in the world for circulation, for a basis for circulating notes and for the settlement of international balances, without such an increase in its value as would reduce the price of everything measured by it from thirty to forty per cent; while at the same time the burden or debt, as $\frac{3}{8}$ of the specie of the Western nations is silver, would be increased in the same ratio. The universal demonetization of it may be regarded, therefore, as impracticable.

It could not be demonetized by other nations, as it has been by Germany, without consequences too serious to be contemplated. If there were no debts to be paid in a currency more valuable than that in use at the time they were contracted, the gold standard might be so elevated as to make gold equal to the wants of mankind, without prejudice to anybody, or any interest whatever except so far as it would lessen international trade, which, however, to the people of the United States is a very important consideration. But as the world is covered all over with debts, so great an appreciation of the value

of gold as that which would result from the general disuse of silver, would be overwhelmingly disastrous.

As, therefore, there is not gold enough or likely to be enough for the purposes for which money is used, one of two things must happen;—the bi-metallic standard must either be adopted by all nations, or some must adopt the single standard of gold, and others the single standard of silver, in which event rich nations would have the superior metal for their standard, and poor nations the inferior metal for theirs. Which, according to any proportionate value heretofore established, will ultimately be the superior, and which the inferior, depends upon circumstances that can not now be foreseen. It has been shown that for a long period, silver not only held its own with gold, but that it has been more frequently above than below the gold standard. Its present degradation is attributable to a combination of causes:

Firstly, to the unusual production of the silver mines.

Secondly, to the demonetization of silver by the great German Empire, and the limitation put upon the coinage of it by the Silver Monetary Union established in 1866 by France, Belgium, Italy, Switzerland, and Greece, which limitation was at first agreed upon to make the silver currency uniform and to prevent its exportation, and has been continued from year to year for the purpose of checking its depreciation.*

* For an explanation of the objects for which the Latin Union was formed see a letter in the *New York Evening Post* of the 29th of November last, from George Walker, one of the ablest advocates of bi-metallic money in this country or any other.

Thirdly, to the dullness of trade in India, and to the large amount payable by India for the disbursements, amounting to seventy-five millions of dollars a year, of the home government, which have checked the flow of silver into that great silver reservoir whither silver has been steadily flowing since commercial intercourse was opened between the Oriental and Western nations. The Silver Committee of the House of Commons, in 1876, in speaking of the depreciation of silver, said, "The yearly amount payable by India for the disbursements of the Home Government has risen since the Indian Mutiny from £5,000,000 to £15,000,000, a difference of which the magnitude will be appreciated, when it is remembered that it is considerably more than half of the total amount of silver annually produced."

Fourthly, the depreciation is owing to the apprehension that other nations may follow the example of Germany and adopt the gold standard.

All of these causes have been at work in producing the existing degradation of silver, and perhaps the surprise ought not to be that silver has been degraded, but that the degradation has not been greater. Some of these causes may be permanent but it is obvious that most of them will be temporary. It is true that for some years past, the yield of the silver mines has been rapidly gaining upon that of the gold mines, and this may continue to be the case for some years, but there is no certainty of it. It is not likely that there will be gold discoveries equal to

those made in California and Australia, but the gold fields of California and Australia have not been exhausted. Hydraulic mining is yet in its infancy and plentiful stores may be yet found as enterprise pushes its way into regions hitherto but partially explored. Besides, the decline in the prices of silver must inevitably tend to check its production. There are many mines which could be profitably worked when silver was worth 59 pence per ounce, as it was in 1873, in which work must cease if the present low prices continue to prevail. If, however, there be good ground for the apprehension that the gold supply is to be steadily diminishing, then unless the demand for metallic money should decrease also, which is not probable, the impracticability of a general demonetization of silver must be obvious to everybody.

Although silver has been legally demonetized in Germany for several years, the work necessary to establish practically the gold standard is still going on. Germany is still a seller of silver and a purchaser of gold. No one can tell how much of the former she has yet to dispose of,—but there is a limit to her disturbing power over the money markets of the world. This limit must soon be reached, and when it is reached one of the most powerful causes of the degradation of silver will disappear, for her experiment in the demonetization of silver has been too costly to be imitated voluntarily by other European states. It would not have been attempted when it was, had it not been for the French indemnity which

was paid in gold, but with even this aid to the adoption of the single standard, her direct loss in the sale of silver has been very large, while her losses by the disturbance of business and the unsettlement of prices, have been still larger. She has paid, she is still paying, dearly for her efforts to place herself alongside of Great Britain, which has been hitherto the only nation in the world in which the single gold standard has been maintained. The great German statesman is not apt to make mistakes in matters affecting German interests, but a great mistake was made (and he is regarded as being responsible for it) in the sudden demonetization of silver throughout the Empire, composed as it is of states in which silver had been almost the exclusive currency. He apparently over-estimated, as most Germans over-estimated, the value of the French indemnity, which in fact has proved to be the reverse of enrichment to Germany. It produced a fanaticism of speculation in many parts of that country which scarcely had a counterpart in the United States in our period of speculative mania. Germany is undoubtedly in a worse financial condition than she would have been, had no money indemnity been extorted from France.

It has seemed to many a very extraordinary fact that France, crushed by the Germans, deprived of two of her valuable provinces, forced to pay the enormous sum of a thousand million dollars at the period of her greatest humiliation, was nevertheless in two years after the war was closed, much more prosperous than the conquering

nation, the recipient of the indemnity, extended in territory, and consolidated into an empire which in military power exceeds any other nation in the world. The explanation is not difficult.

France is a fertile country and varied in its productions, and her lands are divided among 6,000,000 of her people. Three-quarters of her circulating medium are gold and silver, of which she holds a greater amount than any Western nation. Her people are tasteful, industrious, thrifty. Rarely aiming to become suddenly rich, they are not speculative; they are impulsive but prudent; having full confidence in France, no matter how governed, they hoard their earnings until they can put them into French securities and consequently they never suffer by making deposits in unsafe banks and savings institutions; the result of all which is, that France is rich, notwithstanding the drain upon her population and resources by the destructive wars in which she has been engaged from the commencement of her history.

The Germans are also industrious, and fairly frugal, but they are less skillful and more speculative than the French, and their agricultural products are less varied and valuable. Germany is a great empire, but compared with France or Great Britain or the United States, she is poor, and the radical change in her currency, which was commenced in 1871, and is still going on, has undoubtedly been the cause of great embarrassment to her people. Her experiment in demonetizing silver was a bold

one, bolder than sagacious., Great Britain is able to maintain the single gold standard by her great wealth and her supremacy as a creditor and commercial nation. Germany has no such monetary or commercial position and the difficulties in the way of her accomplishing what she has undertaken, are daily becoming more and more manifest. She endeavors to retain her gold coinage by high rates of interest, in which she is only partially successful, while these high rates of interest, are oppressing her debtors, diminishing her foreign trade, and affecting injuriously her home industries. Great Britain stands alone in a successful effort to demonetize silver, but even she has not been uniform in her action.

India has not escaped entirely the trouble occasioned by the efforts of the British government to change her standard. From time immemorial gold was used to some extent in that populous country, but in 1852 so greatly had gold declined in comparative value with silver, and so strong was the apprehension of further decline, that the government refused to receive it at the treasuries, and thus practically demonetized it in India. During the late Civil War in the United States, the cotton spinners of England were compelled to look to India for a large part of their cotton supplies, and as gold, having been demonetized could not be used there without considerable loss, there was a demand on their part for silver, and this demand became at last so great as to appreciate it throughout Europe. More than the world's annual product of

silver between 1861 and 1864 went to India. The demonetization of gold in India had an effect upon European markets and international exchanges, like that produced by the German demonetization of silver.

The panic, for it was nothing less, created by the wonderful yield of the gold mines of California and Australia caused Holland to demonetize gold, and induced Belgium to take preliminary measures for demonetizing it also. The depreciation of silver has recently caused both nations to consider the expediency of the demonetization of that metal, but it is quite evident that the example of Germany in demonetizing silver will not be followed by these or other European states unless they are compelled to follow it, and when she ceases to sell silver, one of the chief reasons for the continuance of the agreement between the Latin nations for the limitation of silver coinage will cease also. The London Economist in 1876 expressed the opinion that the Latin Union must either soon coin silver without limit or demonetize it altogether. There are certainly no present indications that the latter will be attempted.

Nor is the falling off of the trade between the Oriental and Western nations likely to be permanent; on the contrary that trade is quite sure to revive by the influence of returning prosperity to the United States, which is now observable, and by the consequent return of prosperity to other commercial countries. So closely are nations brought together in these days of steam power

and electricity, that no great nation can be in trouble without that trouble being felt by other nations. Nor can any nation in the great family of nations be for any considerable period alone prosperous. As the terrible distress, which came over the United States mainly by the war and over-issues of paper money, affected injuriously all other nations, so will other nations feel the beneficial influences of a revival here.

It is a mistaken notion that any country can be permanently benefited by the disasters of others; on the contrary there is a community of interests between nations, no matter how widely separated, geographically or by differences in their governmental institutions. Notwithstanding the jealousies which exist between them, the political antagonism which separates them, and the ambition which leads them to struggle for superiority, there is, as far as trade is concerned, such an international brotherhood, that no great financial depression can take place in one country without other countries feeling it to a greater or lesser extent. The disappearance of the causes which I have mentioned will undoubtedly not only check the decline of silver, but give to it an upward turn.

What then should be the action of the United States? Should they continue the double standard without limiting the coinage of silver, notwithstanding the adoption of the single gold standard by Germany and the limited coinage by the Latin states? This they cannot afford to

do. We have seen that there is a tendency to constant fluctuations in the relative value of the two metals, that the cheaper drives the dearer out of circulation. These fluctuations will continue as long as silver is a commodity in Great Britain and Germany and a subsidiary currency in the Latin Union—for such their restriction of its coinage practically makes it; they would disappear to a great extent if not absolutely, if bi-metallic money should become universal. As the great producing silver country of the world, the United States, have a very decided interest in the value of silver, but not to such an extent as to compensate for the losses which must be sustained by a separate effort to appreciate it, by making it, without a limitation of the coinage, a joint standard with gold. We cannot without such limitation or the co-operation of at least the leading powers in Europe, make the two metals comparatively equal in value. One or the other will go abroad, and that one, for a period no one can tell how long, will be gold. We should gain nothing and might lose much by independent efforts to maintain a full double standard. We should not only run the risk of having no more money, but also the risk of having less in value, than we should have if we restricted the coinage of silver. In the proportion which silver is *forced* into circulation, will gold go out of circulation. The silver act of 1878 would be a practical demonetization of gold, but for the very favorable condition of our foreign trade and the fact that the government coins no silver except what it owns

and leaves a large discretion in the hands of the Secretary of the Treasury. Under the existing policy of the controlling powers of Europe, the nations of the world must be divided, as has been said on this great question, into two classes; those which adopt the gold standard, or the double standard with restrictions upon the coinage of silver, and those which adhere to the silver standard alone. The United States, as a creditor nation, can choose their own fellowship and position. As to what that choice will be, the respect I have for the sagacity of my own countrymen relieves me from doubt.

But under existing circumstances I think it perfectly clear that the United States, while maintaining the double standard, should limit the amount of silver to be put in circulation, so as to prevent it from depreciating,—it is also perfectly clear, that whatever influence they have should be exerted to make bi-metallic money the universal money. The indications are very decided that all Western nations will be eventually forced to adopt the double standard. As long as they are divided in policy, the nations that practically maintain the superior standard will have a decided advantage in commercial intercourse over those nations that adhere to the inferior one. A nation which is compelled to pay the balances against it in a currency superior in value to its own, cannot fail to be the loser. The foreign commere of the world is rapidly growing. It has been more than doubled within the last twenty years, and notwithstand-

ing the enormous transactions by bills of exchange there must be a steadily increasing demand for money. Can this demand be satisfied by the use of a single metal, or can it be satisfied by the use of gold by one set of nations and the use of silver by another? This is a question which greatly interests all nations and divides the opinion of statesmen and economists. It is a question, the proper decision of which will be aided by discussion, but it will be eventually decided by national necessities. The indications, as I have said, now point to an ultimate decision in favor of bi-metallic money without restrictions upon the coinage of silver. For that decision the United States can afford to wait. But while as a creditor nation, they can command the best, they should be ready to join other nations in increasing the metallic currency of the world by giving to silver everywhere the character of money.

The interests of commerce, the growing fellowship between nations, the result of increased and increasing facilities of intercommunication require that all national barriers should be removed. The difference in their respective currencies is one of these barriers.

If it were proper for me to advise the representatives of the people in Congress, my advice would be that all notes less than five dollars, should within one year be withdrawn from circulation, and in two or three years, the five dollar notes also; that the coinage of not only one dollar gold pieces but of quarter eagles, should be discontinued, and that the coinage of silver should be continued,

not at the present ratio to gold, but according to the ratio adopted by other bi-metallic countries, until the country is fully supplied with a local silver currency. There are now in circulation in the United States upwards of two hundred millions of notes of the denomination of five dollars and under. As these were retired, silver coin would from necessity take their place. I would advise that the coinage of silver be continued as long as silver can maintain a parity with gold. Small notes are a great convenience, but the convenience of individuals should be subordinate to the public good. As long as they remain in circulation, all efforts to introduce silver as a local currency will be abortive. Notes are not money but promises to pay it—mere evidences of debt. By filling the country with the precious metals, not only would the wealth of the country be increased, but the danger of a suspension of specie payment, which is always a shock to credit and a detriment to productive industry, would be lessened if not absolutely avoided. Nor is there any danger of a superabundance of metallic money. If by the adoption of a double standard and an increase in the productions of the mines there should be an excess, and the rates of interest should be lessened, lenders would be the losers but borrowers would be the gainers, and they are not only a majority but they are the most enterprising and useful men in all communities. There is however no danger of such an excess. The need of money increases with the growing demands of commerce, and every dollar

which is taken from the mines costs its value in the labor expended in obtaining it.

Finally I would advise that the Secretary of State open at once a correspondence with the leading European states through our representatives in those states, for the purpose of effecting by treaty a combination for the general use of bi-metallic money, at such a comparative ratio as might be agreed upon. If our distinguished premier, Mr. Evarts, taking the lead in the negotiation, should succeed in bringing about a settlement of this very important troublesome international question, he would acquire a world-wide reputation, in comparison with which, his triumphs at the bar and in the council chamber would be insignificant.

The alarm over what is called the excessive production of silver in the United States is groundless. Since 1848 the gold product of the country has amounted at the end of last year to $1,462,825,000 while the silver product has only come up to $379,450,000.

Mr. Gladstone, in a letter to the Secretary of the Bullion Club of New York, under the date of the 3d of March last, said, "Debts ought to be paid in a not less valuable medium than that in which they were contracted." This is unquestionably true. Contracts, and especially those for the enforcement of which no legal power exists, as is the case with regard to the debts of sovereign states, should be fulfilled not only according to the letter of the law, but according to the understanding between the con-

tracting parties. The bonds of the United States were sold when gold was practically the standard, and with the understanding between the government and the purchasers, confirmed since by law, that they would be paid in gold. These bonds could not therefore be called in and redeemed in a less valuable currency than gold, without a violation of a contract, and national dishonor. The same is true in regard to the debt of Great Britain. Although most of it was contracted when the double standard existed, it has by the adoption of the single standard become, been recognized, and treated, for so many years as a debt payable in gold, that the payment of the interest (the payment of the principal is not even contemplated as among possibilities) by the British Government, in any thing less valuable than gold, would put an indelible stain upon her character and be a death blow to her financial prestige. The French debt, on the other hand, was contracted when the double standard existed in France, and as it still exists there, this debt could be paid either in gold or silver without a violation of contract, or national discredit. France, however, so preserves the parity of the two metals, that, although probably five or six hundred of the thirteen hundred millions of money in her bank and among the people is silver, no loss is sustained by the payment of the interest upon her debt in gold. Practically, however, the interest upon the British debt is paid in a medium of far less value than that in which the debt was contracted. It is paid in gold, but gold

has very much less purchasing power than it had when the debt came into existence. The burden of the British debt has been greatly reduced by the depreciation of gold, resulting from increased production ; the gold discoveries of California and Australia were a God-send to the British government and the British taxpayers :—what they have been to the holders of British securities is a different thing altogether. This diminution of the value of gold has been the result of natural causes, but the effect is the same upon the holders of consols, as it would be if the depreciation had been produced by an act of parliament.

Mr. Gladstone, however, went on to say, that "the double standard is not in strictness any standard at all." This might be true, if the word "standard" was used in the same sense in regard to money, that it is when used in regard to weights and measures. I wish the distinguished political economist, Mr. Dunbar, would take it upon himself (no one certainly is more competent) to introduce a substitute for the word "standard," which would more properly define its meaning when applied to the precious metals. The yard stick, and the pound weight, are merely the instruments by which quantities are determined, and they must be maintained with exactness ; they have no other use or value. Gold and silver. on the other hand, are valuable in themselves as well as by being standards. The double standard, or what is the same thing, the alternative standard, is in strictness the money standard in France, in Belgium, and

now also in Holland. What the interests of commercial nations demand is, that there should be international accord in regard to their comparative value. Prior to the gold discoveries in California and Australia, the currency of France was almost exclusively silver. As the result of these discoveries, gold declined and silver advanced in comparative value. France therefore sold large amounts of silver at a premium, and bought gold. She could not have done this had it not been for the fact, that the large productions of the gold mines of California and Australia created a gold panic, which would not have existed had gold been in general use throughout the European nations. Had it been in such use, the gold, which was for a time produced in unusual quantities. would have been quietly absorbed without depreciation or financial disturbance. It was the depreciation of gold that caused Great Britain to demonetize it in India, the result of which was, as has been shown, that during the civil war in the United States, when the British cotton spinners were looking to India for cotton supplies, there was a demand for silver for the purchase of India cotton, which caused not only a great disturbance of the trade of Great Britain, but unnatural changes in the comparative value of the two metals throughout the commercial world. If the policy of Great Britain in regard to the use of gold in India had not been changed; if gold as well as silver could have been used in the purchase of India cotton, British trade would not have suffered, and the money

markets of Europe would not have been disturbed by the appreciation of silver.

The production of silver in the United States has been for some years, and is likely to continue to be for some years to come, very large ; but the unusual production of silver in the United States would not have depreciated silver to any considerable extent, and would not continue to depreciate it, if Germany had not demonetized it and were not still a seller. It has not been the production of our silver mines, but the sales that have been made by Germany, and those which she must continue to make, in order to establish the gold standard—the *unknown quantity* which she has yet to dispose of, that has been and still is so potent in producing the depreciation of silver. Great Britain alone, as has been stated, has successfully adopted and maintained the single gold standard. Germany has adopted it but her ability to maintain it is still, at least, questionable. Nor is it by any means certain that Great Britain has been the gainer by the adoption of the single standard. In order to prevent her gold reserve from going below the point of safety, the Bank of England has been constantly under the necessity of changing her rate of interest. There have been years when these changes have been made almost every month, to the prejudice of British interests. There have been times when the arrival of gold shipments from Australia have been looked for with anxiety,—when the loss of the gold on a single steamer would have produced a panic in

London. The large receipts of gold from the United States in 1866, the Government having sold some thirty millions in a single day, the most of which went to England, saved the Bank from suspension. What would have been her condition if gold had come to the United States, instead of bonds, within the last two years, it is not difficult to conceive.

Against the opinion of Mr. Gladstone, that "in strictness the double standard is no standard at all," let me place the opinion of a still wiser statesman. Alexander Hamilton in his report of 1792 said—"Upon the whole it seems to me most desirable not to attach the unit exclusively to either metal, because this cannot be done effectually without destroying the character of one of them as money, and so reduce it to the character of mere merchandise. To annul the use of either of the metals as money, is to abridge the quantity of circulating medium and is liable to all the objections which arise from the comparison of the benefits of a full, with the evils of a scanty circulation."

One of the most common objections to the double standard is the impossibility of preventing fluctuations in the comparative value of the two metals. It is contended that the nation that uses both as a standard incurs a double risk of losing, at one time by the depreciation of gold, at another time by the depreciation of silver—that as the double standard is only an alternative standard, it must lose gold when gold becomes comparatively more

valuable than silver, and lose silver when silver becomes more valuable than gold—that a nation which uses but one standard is subject to but one of these controlling influences instead of two. But are not these fluctuations attributable to the fact, that gold and silver are commodities in some nations and money in others? If both were money and of the same comparative value in all nations, would not the fluctuations and the risk be reduced to a minimum, might they not disappear altogether? If the eight thousand millions of gold and silver now in use were subject to the same influences, would there not be a greater steadiness in their own value and in the value of all commodities measured by them than is now possible?

The certain preventive of fluctuations in the comparative value of the two metals will be found in the diffusion of both throughout the globe and this diffusion depends upon their becoming a joint standard of value.

I have thus glanced at a very important and interesting subject—a proper discussion of it would far exceed the limits of a lecture. It may be proper for me to say in conclusion, that without having given to the subject of bi-metallic money the careful consideration which it merited, I had publicly, in various ways, expressed the opinion that the world had outgrown the need of silver as money; but as others thought differently, I felt it to be my duty in the preparation of this lecture—a duty which I owed to those who might listen to me, and to myself—to consider the subject fairly, and to go where my

convictions might lead me, regardless of any opinions I might have formed and expressed. At the outset, I was met by the fact that the circulation of the oriental nations is almost exclusively silver, that more than one-third of the money of the Western nations is silver also. This fact, together with the probability that such nations as Russia and Italy, in which depreciated paper is chiefly in use, and the South American states, in which metallic money is unknown, would at no distant day adopt a specie standard, led me to revise my opinions, the result of which was the conclusion, that the universal demonetization of silver would be absolutely impracticable, and that international trade would be facilitated and increased, and the progress of civilization would be advanced by the use, by all nations, of bi-metallic money. It is not a pleasant thing for me to be compelled to acknowledge thus publicly, a change of opinion upon a very important subject, but I console myself with the reflection that there is no merit in mere consistency, that it is much better to be right than to be consistent. But while I think that bi-metallic money ought to be, and that it will eventually become, the universal money, I regard the Act of 1878 as being a grand mistake. Nothing it seems to me can be more unwise on the part of those who desire, as I do, that there should be an abundance of real money in the United States, than the effort which they are making to increase the supply by a full remonetization of silver without regard to the action of other

commercial states. To the extent that silver, in a ratio that renders it less valuable than gold, is forced into circulation, will gold go out of circulation. What we are to gain by substituting silver for gold, the, at present inferior for the superior metal, I am unable to perceive. We have seen that gold and silver will not circulate together unless there is a parity of commercial value between them, and nothing is more certain than that this parity, with no restrictions upon the coinage of silver, cannot be maintained in the United States without the co-operation of the leading nations of Europe.

Our recent silver commission was a failure because the Act of 1878 fixed the relative value of silver to gold at 16 to one, while the ratio of the Latin Union was 15½ to one. Having no silver in circulation except as a subsidiary currency, we adopted a standard differing materially from that of the bi-metallic states which have a circulation of many millions, and then invited them to a conference. The failure of a conference under such circumstances, it required no spirit of prophecy to predict.

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